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UNCLAS HARARE 000337

SIPDIS

SENSITIVE

STATE FOR AF/S AND AF/EX  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR 2037 DIEMOND  
PASS USTR ROSA WHITAKER  
TREASURY FOR ED BARBER AND C WILKINSON  
STATE PASS TO USAID FOR MARJORIE COPSON

E. O. 12958: N/A

TAGS: ECON ETRD EFIN ZI

SUBJECT: Leading Banker Fears Decision Paralysis

Ref: a) Harare 111 b) Harare 244

11. (SBU) Summary: Unless the GOZ modifies its economic policies, the Bankers' Association President believes its once-formidable infrastructure will be irreparably damaged. End summary.

12. (SBU) Standard Chartered Chief Executive and Zimbabwe Bankers' Association President Washington Matsaira told Ambassador Sullivan that President Mugabe's inner-circle "hawks" are subverting the Tripartite Agreement (septel) as well as the Confederation of Zimbabwe Industries' (CZI) proposal to devalue the Zimdollar for exporters (ref a). Hardliners -- Justice Minister Patrick Chinamasa, Agriculture Minister Joseph Made, Information Minister Jonathan Moyo and Public Works Minister Ignatius Chombo -- are either still enriching themselves from the GOZ's interventionist policies (often accessing U.S. dollars at the official rate) or unwilling to press Mugabe to make a change. This has led to decision-making paralysis, particularly frustrating because CZI's leadership believed it had convinced all the key players of the need to devalue. Matsaira said a group of exporters even persuaded the GOZ to allow a one-time parallel market exchange US\$ 25 million last month, seeming admission that the official rate is untenable. There has been no further positive sign from government.

13. (SBU) Matsaira notices increasing infrastructure and even moral decay in Zimbabwe, symptoms of the economic crisis that may become permanent by the year's end. An every-man-for-himself dictum is taking grip of a society that once exalted community. The banker sees unmotivated teachers and bribe-hungry policemen with an audacity unthinkable just 5 years ago. The brain-drain is so severe that it is no longer possible to fill certain professional positions at Standard Chartered (in spite of the country's high unemployment). Indigenous fuel companies clandestinely send their supply of heavily-subsidized fuel to neighboring countries. In sum, Matsaira thinks Zimbabwe is gradually being "Zaire-ized," a reference to Mobutu Sese Seko's misrule in today's Democratic Republic of the Congo.

Comment

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14. (SBU) Matasaira's somber observations parallel those that lower-grade local employees shared with us a few weeks ago (ref b). Zimbabweans surprise themselves with their own growing contempt for laws and social-norms, one step in the country's rapid metamorphism.

Sullivan